



NCUA Media Release

Matz Discusses Need for Capital Reform and Balanced Consolidation Policies

World Credit Union Conference Speech Also Urges Consumer Base Expansion

GLASGOW, Scotland (July 27, 2011) – Representing the United States at the World Credit Union Conference, National Credit Union Administration (NCUA) Board Chairman Debbie Matz today addressed 1,700 attendees at the closing general session. The speech reaffirmed her support for supplemental capital reform and balanced consolidation policies, and encouraged credit unions worldwide to reach the next generations of members.

“To keep the industry moving forward safely, we must look ahead to the challenges, risks, and opportunities of the future,” said Matz. “We need to think globally about how to prepare for uncertainty, reach new markets, and better serve consumers.”

Supplemental Capital Ensures Safety, Soundness

Matz stressed the need to require credit unions to hold sufficient levels of capital as being a fundamental role for regulators. Adequate capital reserves ensure the safety and soundness of the industry, and can soften the impact of unexpected market fluctuations and economic volatility.

Commenting on how the latest international capital standard, Basel III, may differ from nation to nation, Matz voiced her support for congressional approval of provisions to give U.S. credit unions more leeway to raise statutory capital in two ways: First, Matz supports allowing qualifying credit unions to exclude zero-risk assets from their total assets. Second, qualifying credit unions should have the ability to issue supplemental capital.

The adoption of legislation to accomplish these two objectives would ease restrictions that place downward pressure on the capital-to-assets ratio, which declines as deposits increase, Matz said. “These solutions would give well-managed credit unions the flexibility to better manage capital-to-asset ratios under varying economic conditions.”

Consolidating Credit Unions Requires Balance

The second key point in the Matz speech addressed consolidation in the credit union industry. Matz noted the need to balance the benefits of mergers of credit unions against the concentration risks of such consolidations.

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“While many believe ‘small’ means better service, consolidation does have some virtues,” she said. “It allows credit unions to better compete, broaden their geographic reach, and take advantage of economies of scale.”

Matz also cited the need for consolidation regulations to not impede innovation. Improved member service can result from assuming certain levels of risk and expanding a credit union’s consumer base.

Credit Union Consumer Base Needs Expansion

Challenging the industry to look at how innovation can increase membership, Matz noted historical trends for bringing financial services to underserved rural populations, and highlighted the need to apply community-building skills in burgeoning urban communities.

Another untapped consumer base is unbanked households with \$169 billion in assets, she said. NCUA has worked to bring credit union service to these unbanked communities by streamlining the process to add underserved areas to fields of membership and provide affordable loan alternatives to products offered by predatory lenders.

Lastly, Matz focused on revitalizing the credit union movement through effective outreach to younger generations. “Perhaps the segments that present the biggest opportunity for credit unions are Generations X and Y,” Matz said.

The average age of U.S. credit union members is up to 47 – several years past the peak borrowing ages of 25 to 44. “This trend is also mirrored globally,” Matz said, “Ultimately this trend must be reversed if credit unions are to survive.”

To offer a solution for this negative trend, Matz noted the need for credit unions to improve transactional mobility.

“Throughout the world, mobile banking is becoming more prevalent,” she said. “Younger consumers do not just desire this service from financial institutions; they demand it. It is clear that to win over a new generation, credit unions will have to embrace these technologies. Credit unions will have to be creative to attract and retain the consumer base of tomorrow.”

For the text of the speech, visit: <http://www.ncua.gov/GenInfo/Members/Matz/Speeches.aspx>.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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